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SOVIET UNION

1. Bohlen comments on Soviet reply to president's proposal:

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[redacted] Ambassador Bohlen reports that Foreign Minister Molotov had nothing to add orally to the text of the Soviet note on atomic control, but drew his attention specifically to the concluding paragraphs which indicated the Kremlin's willingness to participate in the conversations suggested by President Eisenhower and its intention to propose renunciation of atomic weapons. Both points are printed in boldface type in the Soviet press. Molotov said that the Soviet proposal for renunciation was not a precondition for talks, and Bohlen believes that the USSR is awaiting specific suggestions from the United States as to place and type of conversations.

The ambassador regards as a tactical shift the Soviet proposal for a Geneva-type ban on use of atomic weapons. Such a ban would leave governments still in possession of stockpiles of weapons; therefore the suggestion represents a shift from the previous Soviet demands for abolition plus international inspection subject to Security Council veto.

The ambassador considers this proposal to be the chief substantive element of the Soviet position. He believes that such a Geneva-type renunciation would remove one of the strongest deterrents to local Communist aggression, such as Chinese intervention in Indochina. It would probably not have much effect in case of global war, however, since a cold-blooded aggressor would hardly be restrained by a piece of paper.

FAR EAST

2. Chinese Communists reportedly control North Korea:

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[redacted] just back from a two-week inspection tour of North Korea reported on 21 December that the Chinese appear to be "running the country

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and are there to stay. " He stressed that he was met and looked after by Chinese officials, and that it was useless even to speak to North Korean officials since they had to get instructions from the Chinese.

25X1 All cities visited were heavily garrisoned by Chinese troops, which considerably outnumbered the North Korean soldiers. [redacted] large numbers of Chinese settlers had recently come to Korea.

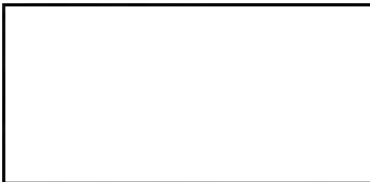
Comment: This is the strongest statement by any Western observer about Communist China's growing influence in North Korea, although others, including Ambassador Dean, have been impressed with Peiping's commanding position.

25X1 Since Soviet-trained Koreans still occupy the most important party and government posts, it is likely that major policy decisions are still subject to Moscow's approval.

SOUTHEAST ASIA

4. French base in northwest Tonkin getting heavy reinforcements:

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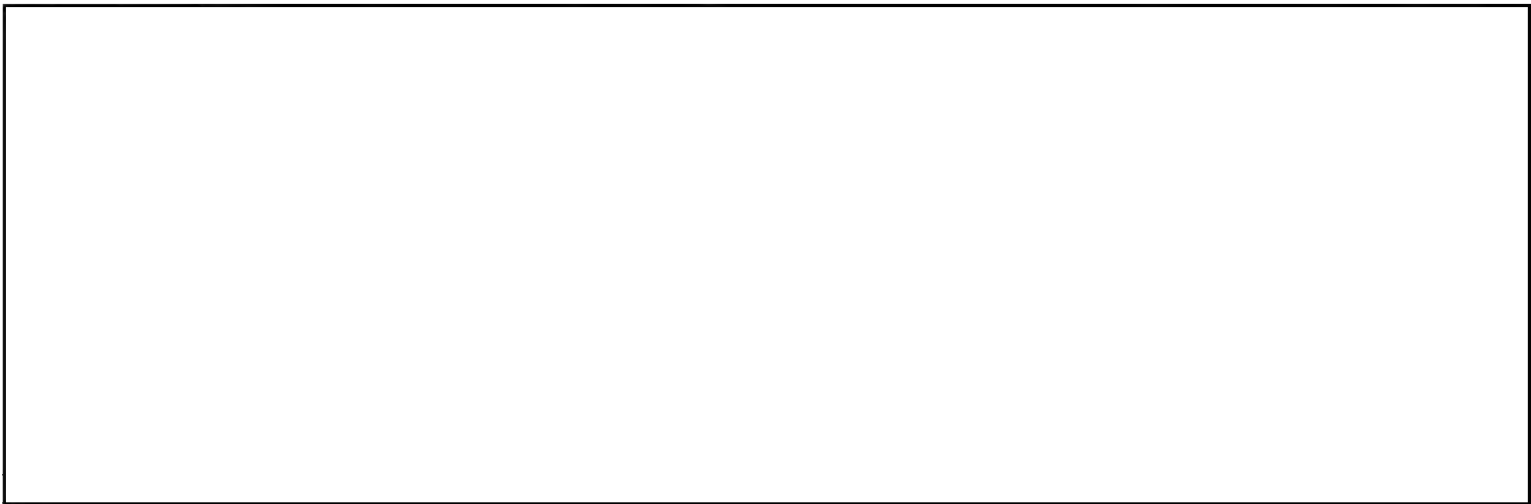


American officers who on 20 December visited Dien Bien Phu, the French strong-point in northwestern Tonkin, report that it is being heavily fortified. The French are flying in a 155mm howitzer battalion this week and plan to stabilize troop strength there at 12 infantry battalions. One hundred transport sorties are being flown daily during the build-up stage; maintenance will require 30 C-47 sorties a day.

The American army attaché in Saigon comments that this heavy build-up, requiring the removal of troops from the critical delta area, appears justified only if Navarre plans to launch significant offensive action from Dien Bien Phu.

Comment: Previous Viet Minh tactics suggest that the enemy will not risk an attack on so strong a post. The Viet Minh may attempt merely to contain it, while further consolidating their control in northwest Tonkin; or they may by-pass the post entirely and launch an attack against northern Laos.

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LATIN AMERICA

6. Brazilian president hints at nationalization of electric power:

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[REDACTED] Brazilian president Vargas on 20 December announced that if funds could not be found to develop a national electric power industry, the government would then have to take over existing establishments "which are not giving the desired results." He referred to the large foreign companies' failure to supply adequate power and indicated that they were causing an excessive drain on Brazil's foreign exchange resources by their profit remittances.

Both the power shortage, caused by rapid industrialization and made more acute by drought conditions, and the foreign exchange difficulties are popular issues. Vargas therefore is apparently attempting by an appeal to ultranationalism to divert popular dissatisfaction from his administration.

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Brazilian Traction Light and Power Company, owned jointly by Canadian, British, and American investors and the recipient of recent loans from the International Bank for Reconstruction and Development totaling 90 million dollars, supplies more than half of Brazilian electric power. The American-owned American and Foreign Power Company supplies about one fifth.

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